

Message Text

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C O N F I D E N T I A L ABU DHABI 1296

E.O. 11652: GDS
TAGS: BEXP, EINV, TC
SUBJ: MARIOTT TO EXTEND HOTEL OPERATIONS INTO UAE
REF: ABU DHABI A-7 DTD 1/22/75 AND A-1" DTD 4/28/75

1. MARIOTT CORP. IS ON THE VERGE OF STRIKING TWO DEALS IN UAE. FIRST ONE WITH ABU DHABI MUNICIPALITY IS FOR PERMANENT BERTHING OF SHIP-HOTEL IN ABU DHABI TOWN (EXACT LOCATION NOT YET DECIDED) FOR PERIOD UP TO THREE YEARS WHEN IT EXPECTED OTHER HOTELS PLANNED OR UNDER CONSTRUCTION WILL BE READY FOR OCCUPANCY. ACCORDING MARIOTT REPS 1 SHIP CAN GENERATE OWN WATER AND POWER MAKING NO DEMANDS ON ABU DHABI'S STRAINED RESOURCWU. ONLY POTENTIAL PROBLEM IS ENVIRONMENTAL ONE. IF

HOTEL SHIP BERTHED IMMEDIATELY OFF ABU DHABI CORNICHE, MARIOTT FEARS SECTIONS OFHCEACHES COULD BE RENDERED UNUSABLE BECAUSE OF DREDGING AND WASTE DISPOSAL. SECOND VENTURE IS TECHNICAL SERVICEUAND MANAGEMENT CONTRACT FOR TWO 150-ROOM RESORT HOTELS: ONE IN RAS AL-KHAIMAH, THE OTHER IN UMM AL-QAIWAIN.

2. MARIOTT CORP. HAS EXCELLENT UAE CONTACT IN DR. HASSAN ABBAS ZAKI, ABU DHABI MONEY MANAGER WHO WEARS NUMBER OF HATS. IN THESE PROJECTS, ZAKI IS ISUING HIS POSITION ON BVSRD OF UAE DEVELOPMENT BANK. MARIOTT FAMILIAR TO ZAKI THROUGH ITS PATICIPATION IN OMAR KHAYYAM HOTEL PROJECT IN CAIRO FINANCED IN PART BY ABU DHABI FUND.

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3. TWO HOTELS IN NORTHERN EMIRATES WILL BE FINANCED BY UAE

DEVELOPMENT BANK AND RULING FAMILIES OF RAS AL-KHAIMAH AND UMM AL-QAIWAIN. LAND BEING PROVIDED FREE. IF ABU DHABI PATTERN IS FOLLOWED, A HOTEL CORPORATION WILL BE ESTABLISHED WITH SHARES HELD BY UAE DEVELOPMENT BANK AND RULING FAMILIES. WHEN HOTELS TURN SUFFICIENT PROFIT, 51 PERCENT (OR SOME OTHER MAGIC PROPORTION) WILL BE SOLD TO PUBLIC AT PRICE WELL ABOVE PAR.

4. COMMENT: IT IS SURPRISING THAT UAE DEVELOPMENT BANK BEING USED FOR THIS SCHEME. ORIGINAL PURPOSE WAS (AND PERHAPS STILL IS) TO PROVIDE LOW-COST VENTURE CAPITAL FOR LOCAL

ENTREPRENEURS. EMBASSY IS NOT AWARE OF ANY OTHER PROJECTS GOING FORWARD DUE TO HOTEL PROJECTS, BUT FROM WHAT WE HEAR LOCALLY, IT DOES NOT APPEAR THAT BANK STAFF IS LOOKING VERY HARD FOR ALTERNATIVES. IN SHORT, IT REMAINS DIFFICULT TO BREAK THE PATTERN WHEREBY THE RULING FAMILIES SOMEHOW COME OUT AS PRIME BENEFICIARIES OF ALMOST ALL DEVELOPMENT PLANS. STERNER

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